



# Health Care Financing Trends

Winter 1980

Information through September 1979 on:

- National Health Expenditures
- Community Hospital Statistics
- Health Care Prices
- Employment, Hours, and Earnings of Health Workers
- National Economic Indicators

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# Health Care Financing Trends

**Health Care Financing Trends** is published quarterly by the Health Care Financing Administration's Office of Research, Demonstrations, and Statistics.

The Health Care Financing Administration was established in March 1977 to combine HEW's health financing and quality assurance programs into a single agency. HCFA is responsible for the operation of the Medicare and Medicaid programs, the PSRO program, Federal survey and certification efforts, and a variety of health care quality assurance activities.

The mission of the Health Care Financing Administration is to promote the timely delivery of appropriate, quality health care to its beneficiaries—approximately 45 million aged, disabled, and poor Americans. HCFA is committed to making beneficiaries aware of the services for which they are eligible, promoting the accessibility of those services and ensuring that HCFA policies and actions promote efficiency and quality within the total health care delivery system.

HCFA's Office of Research, Demonstrations, and Statistics (ORDS) conducts studies and projects that demonstrate and evaluate optional reimbursement, coverage, eligibility, and management alternatives to the present Federal programs. ORDS also assesses the impact of HCFA programs on health care costs, program expenditures, beneficiary access to services, health care providers, and the health care industry. In addition, ORDS monitors national health care expenditures and prices and provides actuarial analyses on the costs of current HCFA programs as well as the impact of possible legislative or administrative changes in the programs.

**Trends** contains tables and analyses highlighting economic developments in the health care sector. Each quarter recent data are presented on:

- national health expenditures, by type of service and source of funds;
- community hospital statistics, measured by the American Hospital Association;
- consumer price indexes, measured by the Bureau of Labor Statistics;
- employment, hours, and earnings of health workers, also from the BLS; and
- a variety of national economic indicators, such as the Gross National Product and the aggregate rate of unemployment.

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# Health Care Financing Trends

Winter 1980

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## Section A. National Health Expenditures and Related Measures

During the twelve months ending in September 1979, national health expenditures were \$209.2 billion, up 11.9 percent from the same period one year earlier (Table A-1). Annual growth in national health expenditures slowed from the rapid rates experienced late in 1977 and early in 1978. Health care spending was equal to 9.0 percent of the Gross National Product, unchanged from calendar year 1978.<sup>1</sup>

These estimates of health care spending have been compiled by staff members of the Office of Research, Demonstrations, and Statistics and are comparable to estimates of calendar-year spending published in the *Health Care Financing Review* [Gibson, 1979]. They are based on the latest data available and should be regarded as preliminary.

### Components of Total Expenditures

Annual growth rates of the various components of national health expenditures were not uniform. Growth of personal health care expenditures—covering the direct provision of health care—fell from nearly 16 percent in 1975 to about 13 percent by the beginning of 1977, where it remained. During the twelve months ending in September 1979, expenditures for hospital care were \$83.1 billion, a 12.1 percent increase from the previous year. The growth rate of hospital care expenditures, not significantly different from the 11.9 percent increase for calendar year 1978, is consistent with a slowdown of growth which began late in 1977, although it appears that this trend has bottomed out (see Section B). The percentage change in most other components of personal health care showed some signs of an upward drift. Expenditures for physicians' services were \$38.7 billion, 13.4 percent above the previous year. Growth in spending for dentists' services appeared to abate somewhat, while the growth rate of expenditure for other professional services rose. The net effect of these three trends is that the growth of spending for aggregate professional services (13.7 percent) was not significantly different from the 13.4 percent rate for calendar year 1978. Nursing home expenditures were \$18.0 billion, 18.3 percent higher than in the previous year, a growth rate consistent with the 17-18 percent range observed since 1977. Spending for other types of personal care—for drugs, eyeglasses, and so on—exhibited mixed movement in annual growth.

<sup>1</sup>In the most recent of a series of articles on the subject, national health expenditures were estimated to equal 9.1 percent of the Gross National Product [Gibson, 1979]. Since that time, the Bureau of Economic Analysis (U.S. Department of Commerce) has issued revised estimates of the GNP, which are used in Sections A and E and which are higher than the previous estimates. The effect is to reduce national health expenditures as a share of the GNP without affecting the estimate of national health expenditures itself.

The annual growth rate of expenses for prepayment and administration had been subsiding since early in 1978, and actually became negative for the year ending in September 1979. The decline in absolute dollars spent was due to the category's more volatile component—prepayment, the difference between premiums earned and claims incurred by health insurers. Prepayment expense had been growing rapidly from very low levels in 1975-76, but its growth has moderated substantially since the beginning of 1978.

Expenditures for research, construction of medical facilities, and government public health activity all showed signs of diminishing annual growth rates as well, although not nearly as pronounced as those for prepayment.

### Personal Health Care Expenditures

In the twelve months ending in September 1979, personal health care expenditures were \$184.4 billion (Table A-2). These figures imply an expenditure of \$822 *per capita* for health care, including \$370 for hospital care and \$172 for physicians' services (Table A-3). Expenditure *per capita* was \$89 higher than in the previous year, an increase of 12.1 percent.

As shown in Table A-4, about 62 percent of personal health care expenditures were funded through private channels—private health insurance, philanthropy, industrial programs, and direct consumer payments. The Federal government funded about 27 percent of the total, and State and local governments the remaining 11 percent. Public channels funded over half of spending for hospital care, but only a little more than a quarter of spending for physicians' services and other types of personal health care.

As had been the case since mid-1977, roughly two-thirds of the growth in personal health care expenditures was attributable to inflation (Table A-5). Just over a quarter of the growth of expenditures for the twelve months ending in September 1979 was due to increases in "intensity"—frequency of care, quality of care, and so on. Population growth accounted for the remainder of the growth in expenditures.

Table A-1. National Health Expenditures, by Type of Expenditure

Type of Expenditure	Twelve-month Period Ending						
	September			December	March	June	September
	1976	1977	1978	1978	1979	1979	1979
Amount (billions)							
Total	\$144.4	\$164.5	\$187.0	\$192.4	\$198.4	\$203.7	\$209.2
Health services and supplies	135.6	155.8	177.7	183.0	188.9	194.1	199.6
Personal health care	128.2	144.9	163.1	167.9	173.5	178.9	184.4
Hospital care	58.2	65.7	74.1	76.0	78.3	80.6	83.1
Physicians' services	27.0	30.3	34.1	35.3	36.4	37.5	38.7
Dentists' services	9.6	11.3	12.9	13.3	13.8	14.2	14.6
Other professional services	3.0	3.6	4.1	4.3	4.4	4.6	4.8
Drugs and drug sundries	12.5	13.6	14.7	15.1	15.5	15.9	16.3
Eyeglasses and appliances	3.2	3.4	3.7	3.9	4.0	4.1	4.2
Nursing home care	11.0	13.0	15.2	15.8	16.4	17.2	18.0
Other personal health care	3.8	4.0	4.3	4.3	4.6	4.6	4.7
Prepayment/administration expenses	3.8	6.8	9.7	10.0	10.1	9.7	9.4
Government public health activity	3.6	4.1	4.9	5.1	5.3	5.5	5.7
Research and construction	8.8	8.7	9.3	9.4	9.6	9.6	9.6
Research	3.6	3.6	4.2	4.3	4.4	4.5	4.5
Construction of medical facilities	5.2	5.1	5.1	5.2	5.2	5.1	5.1
Addenda: Gross National Product (GNP)	1,662.6	1,845.7	2,061.6	2,127.6	2,197.7	2,254.1	2,313.4
National health expenditures as a share of the GNP	8.7%	8.9%	9.1%	9.0%	9.0%	9.0%	9.0%
Annual Percentage Change							
Total	13.5	13.9	13.7	13.2	13.2	12.4	11.9
Health services and supplies	13.8	14.9	14.1	13.5	13.5	12.8	12.3
Personal health care	14.2	13.0	12.5	12.6	13.1	13.1	13.1
Hospital care	15.8	13.0	12.7	11.9	12.2	12.0	12.1
Physicians' services	12.4	12.5	12.4	12.8	13.3	13.4	13.4
Dentists' services	20.3	18.0	13.6	14.2	14.6	14.1	13.8
Other professional services	21.4	17.4	15.3	15.5	15.8	15.9	16.2
Drugs and drug sundries	7.3	8.7	8.3	9.3	10.1	10.9	11.2
Eyeglasses and appliances	9.2	7.4	10.2	12.3	14.6	15.6	12.2
Nursing home care	16.4	18.0	17.1	17.9	18.2	18.3	18.3
Other personal health care	6.6	5.5	6.8	8.2	12.0	11.3	9.8
Prepayment/administration expenses	-1.6	78.1	43.7	27.8	17.6	4.5	-3.1
Government public health activity	17.6	13.5	18.8	19.0	18.6	18.1	17.9
Research and construction	9.8	-3	6.5	7.9	7.5	5.3	3.8
Research	18.7	.7	16.7	15.4	12.9	10.3	8.7
Construction of medical facilities	4.4	-1.1	-5	2.4	3.4	1.2	-1
Addendum: Gross National Product	11.4	11.0	11.7	12.0	12.9	12.5	12.2

Source: Office of Research, Demonstrations, and Statistics; Health Care Financing Administration

Table A-2. Personal Health Care Expenditures, by Type of Expenditure and Source of Funds  
(Billions)

Source of Funds	Twelve-month Period Ending						
	September			December	March	June	September
	1976	1977	1978	1978	1979	1979	1979
Personal Health Care							
Total	\$128.2	\$144.9	\$163.1	\$167.9	\$173.5	\$178.9	\$184.4
Private funds	78.0	88.6	99.6	102.9	106.3	110.2	113.8
Public funds	50.2	56.3	63.5	65.0	67.1	68.6	70.6
Federal government	35.1	39.7	45.2	46.5	48.1	49.2	50.6
State and local government	15.1	16.5	18.3	18.5	19.1	19.4	20.0
Hospital Care							
Total	\$58.2	\$65.7	\$74.1	\$76.0	\$78.3	\$80.6	\$83.1
Private funds	26.4	30.1	33.9	35.1	36.2	37.7	39.0
Public funds	31.8	35.6	40.1	40.9	42.1	43.0	44.1
Federal government	23.0	26.1	29.7	30.3	31.3	32.1	33.0
State and local government	8.8	9.5	10.4	10.6	10.7	10.9	11.1
Physicians' Services							
Total	\$27.0	\$30.3	\$34.1	\$35.3	\$36.4	\$37.5	\$38.7
Private funds	20.0	22.5	25.1	25.8	26.6	27.4	28.3
Public funds	6.9	7.9	9.0	9.4	9.8	10.1	10.4
Federal government	5.0	5.8	6.7	7.1	7.3	7.5	7.8
State and local government	1.9	2.1	2.3	2.4	2.5	2.5	2.6
Other Personal Health Care							
Total	\$43.1	\$48.8	\$54.9	\$56.6	\$58.7	\$60.7	\$62.6
Private funds	31.6	36.1	40.6	42.0	43.5	45.1	46.5
Public funds	11.5	12.8	14.3	14.7	15.3	15.6	16.1
Federal government	7.1	7.8	8.8	9.1	9.4	9.6	9.9
State and local government	4.4	4.9	5.6	5.6	5.9	6.0	6.3

Source: Office of Research, Demonstrations, and Statistics; Health Care Financing Administration

Table A-3. Personal Health Care Expenditures per Capita, by Type of Expenditure and Source of Funds

Source of Funds	Twelve-month Period Ending						
	September			December	March	June	September
	1976	1977	1978	1978	1979	1979	1979
Personal Health Care							
Total	\$586	\$657	\$733	\$753	\$776	\$798	\$822
Private funds	357	402	447	461	476	492	507
Public funds	229	255	285	292	300	306	315
Federal government	160	180	203	209	215	220	226
State and local government	69	75	82	83	85	87	89
Hospital Care							
Total	\$266	\$298	\$333	\$341	\$350	\$360	\$370
Private funds	121	136	153	157	162	168	174
Public funds	145	161	180	183	188	192	196
Federal government	105	118	134	136	140	143	147
State and local government	40	43	47	47	48	49	49
Physicians' Services							
Total	\$123	\$137	\$153	\$158	\$163	\$167	\$172
Private funds	92	102	113	116	119	123	126
Public funds	32	36	41	42	44	45	46
Federal government	23	26	30	32	33	34	35
State and local government	9	9	10	11	11	11	12
Other Personal Health Care							
Total	\$197	\$221	\$247	\$254	\$263	\$271	\$279
Private funds	144	163	182	188	194	201	207
Public funds	52	58	64	66	68	70	72
Federal government	32	36	39	41	42	43	44
State and local government	20	22	25	25	26	27	28
Addendum: population (thousands)	218,853	220,664	222,511	222,995	223,537	223,998	224,406

Source: Office of Research, Demonstrations, and Statistics; Health Care Financing Administration

Table A-4. Percentage Distribution by Source of Funds, for Selected Types of Personal Health Care Expenditures

Source of Funds	Twelve-month Period Ending						
	September			December	March	June	September
	1976	1977	1978	1978	1979	1979	1969
Personal Health Care							
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Private funds	60.9	61.2	61.0	61.3	61.3	61.6	61.7
Public funds	39.1	38.8	39.0	38.7	38.7	38.4	38.3
Federal government	27.4	27.4	27.7	27.7	27.7	27.5	27.5
State and local government	11.8	11.4	11.2	11.0	11.0	10.9	10.8
Hospital Care							
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Private funds	45.4	45.8	45.8	46.2	46.3	46.7	47.0
Public funds	54.6	54.2	54.2	53.8	53.7	53.3	53.0
Federal government	39.5	39.7	40.2	39.9	40.0	39.8	39.7
State and local government	15.1	14.5	14.0	13.9	13.7	13.5	13.3
Physicians' Services							
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Private funds	74.3	74.0	73.5	73.2	73.1	73.2	73.2
Public funds	25.7	26.0	26.5	26.8	26.9	26.8	26.8
Federal government	18.6	19.2	19.7	20.0	20.2	20.1	20.1
State and local government	7.1	6.8	6.8	6.7	6.8	6.7	6.7
Other Personal Health Care							
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Private funds	73.4	73.8	73.9	74.1	74.0	74.5	74.2
Public funds	26.6	26.2	26.1	25.9	26.0	25.7	25.8
Federal government	16.4	16.0	16.0	16.1	16.0	15.8	15.8
State and local government	10.2	10.1	10.2	9.9	10.0	9.9	10.0

Source: Office of Research, Demonstrations, and Statistics; Health Care Financing Administration

Table A-5. Personal Health Care Expenditures in Current and Constant Dollars, and Factors Affecting Growth

	Twelve-month Period Ending						
	September			December	March	June	September
	1976	1977	1978	1978	1979	1979	1979
Personal health care expenditures							
Billions of current dollars	128.2	144.9	163.1	167.9	173.5	178.9	184.4
Billions of 1972 dollars	93.3	97.2	101.0	101.9	103.1	103.9	104.7
Implicit price deflator (1972=100) *	137.4	149.1	161.4	164.8	168.3	172.1	176.1
Annual Percentage Change							
Personal health care expenditures							
Current dollars	14.2	13.0	12.5	12.6	13.1	13.1	13.1
1972 dollars	3.9	4.2	3.9	3.9	4.3	4.0	3.6
Population	.8	.8	.8	.8	.8	.8	.9
Distribution of Annual Growth Among Factors							
All factors	100%	100%	100%	100%	100%	100%	100%
Prices	71	67	68	68	66	68	71
Population	6	7	7	7	7	7	7
Intensity	23	26	25	25	27	25	22

\* Implicit Price Deflator for Personal Health Care Expenditures. See [Gibson, 1979].

Source: Office of Research, Demonstrations, and Statistics; Health Care Financing Administration

## Section B. Selected Community Hospital Statistics from the National Hospital Panel Survey<sup>2</sup>

Community hospital admissions reported by the American Hospital Association grew 2.0 percent for the year ending in September 1979, compared to the previous year. This movement reflected a moderate increase in the growth of hospital use, reversing the downward trend that began in 1977. Inpatient days increased 1.0 percent from the previous year, while the average length of stay (approximated by the ratio of inpatient days to admissions) decreased 1.0 percent. Adjusted patient days, which reflect both inpatient and outpatient services, grew 1.3 percent, a rate higher than the .9 percent growth of the U.S. population.

<sup>2</sup> The monthly National Hospital Panel Survey is conducted by the American Hospital Association (AHA) of a sample of community hospitals (stratified by size and geographic location) drawn from the membership of the AHA. Survey results are reported in *Hospitals, J.A.H.A.*, a biweekly magazine published by the AHA. Community hospitals comprise "all nonfederal short-term general and other specific hospitals—excluding hospital units of institutions [after 1971]—whose facilities and services are available to the public." (*Hospital Statistics*, 1978 edition; AHA, Chicago)

For the most recent comparison of the panel survey data and statistics from the AHA Annual Survey of Hospitals, see Bisbee and Bachofer (1079).

The number of available beds increased .7 percent for the year ending in September 1979, extending a downward trend in the growth of capacity that started in 1977. The adult occupancy rate was 74.1 percent, slightly above the rates typical of recent experience.

Community hospital operating expenses grew 13.1 percent, continuing a slight upward trend in growth beginning in the year ending in March 1979. Despite the upward trend, growth in expenses was still among the lowest since early in 1974. Growth of payroll expenses increased slightly, to a rate of 12.7 percent, while annual growth of nonpayroll expenses (which include employee fringe benefits) continued at a rate of 13.5 percent. The latter growth reflects recent acceleration in the price inflation of commodities (such as food), as well as increases in short-term interest rates; still, the rate was among the lowest since 1966. Expense per adjusted patient day was \$220, 11.6 percent above the previous year, continuing the slowdown of annual growth which began in mid-1977. Changes in expense per patient day are attributable to changes in "intensity"—for example, the mix of services performed or the levels of technology employed—and to changes in prices. Based on analysis using the National Hospital Input Price Index (see Section C), changes in intensity have accounted for less and less of annual growth in expense per patient day in recent years, from a peak in mid-1977, when changes in intensity accounted for about a half of the growth in expense per patient day.

Average full-time-equivalent (FTE) employment in community hospitals was 3.5 percent higher than in the previous year, part of a slowdown of growth which began in mid-1976. The ratio of FTE personnel to beds, exhibiting a similar growth trend, increased 2.7 percent.

Table B-1. Selected Community Hospital Statistics from the National Hospital Panel Survey

Statistic	Twelve-month Period Ending						
	September			December	March	June	September
	1976	1977	1978	1978	1979	1979	1979
Level							
Utilization:							
Beds (thousands)	930	942	952	954	957	958	959
Admissions (thousands)	34,485	35,074	35,539	35,561	35,812	35,969	36,249
Inpatient days (thousands)	254,698	255,262	256,818	256,708	257,386	258,102	259,361
Adjusted patient days (thousands)	289,522	291,094	294,131	294,482	295,479	296,525	297,942
Adult occupancy rate	74.8%	74.2%	73.9%	73.7%	73.7%	73.8%	74.1%
Adult length of stay (days)	7.4	7.3	7.2	7.2	7.2	7.2	7.2
Operating expenses:							
Total (millions)	\$44,126	\$51,230	\$58,030	\$59,802	\$61,679	\$63,611	\$65,612
Payroll (millions)	\$22,608	\$25,726	\$28,970	\$29,828	\$30,685	\$31,649	\$32,638
Nonpayroll (millions)	\$21,518	\$25,504	\$29,060	\$29,974	\$30,994	\$31,962	\$32,974
Per adjusted patient-day	\$152.41	\$175.99	\$197.29	\$203.08	\$208.74	\$214.52	\$220.22
Full-time equivalent personnel:							
Total (thousands)	2,407	2,530	2,631	2,655	2,678	2,700	2,723
Per bed	2.6	2.7	2.8	2.8	2.8	2.8	2.8
Annual Percentage Change							
Utilization:							
Beds	3.6	1.3	1.0	.9	1.0	1.0	.7
Admissions	3.8	1.7	1.3	.4	1.3	1.4	2.0
Inpatient days	3.9	.2	.6	.1	.5	.6	1.0
Adjusted patient days	4.4	.5	1.0	.6	1.0	1.1	1.3
Adult occupancy rate	.0 *	-.6 *	-.3 *	-.6 *	-.4 *	-.2 *	.2 *
Adult length of stay	.1	-1.5	-.7	-.3	-.8	-.7	-1.0
Operating expenses:							
Total	19.6	16.1	13.3	12.8	12.9	13.0	13.1
Payroll	16.1	13.8	12.6	12.5	12.2	12.6	12.7
Nonpayroll	23.6	18.5	13.9	13.2	13.5	13.4	13.5
Per adjusted patient-day	14.5	15.5	12.1	12.1	11.8	11.7	11.6
Full-time equivalent personnel:							
Total	6.5	5.1	4.0	3.7	3.6	3.6	3.5
Per bed	2.7	3.8	3.0	2.8	2.6	2.7	2.7

\* year-to-year change in percentage rate

Source: Hospital Data Center, American Hospital Association

## Section C. Medical Care Prices

As measured by the Consumer Price Index (CPI), medical prices grew 9.1 percent during the year ending in September 1979—more than a full percentage point less than growth in the general price level (Table C-2). The aggregate growth of medical care prices since calendar year 1967 was still greater than that of the general price index (the CPI for all items), as indicated by a relatively higher index value for the year ending in September 1979 (Table C-1). However, recent acceleration of housing and gasoline prices had a much more inflationary effect on the all-items index, so that general price growth outpaced growth of medical prices for the first time since the Economic Stabilization Program of 1971-74.

As has been true historically, prices of medical commodities (mainly prescription and nonprescription drugs) grew less than either medical service prices or prices in general. Although medical service prices had been growing faster than the overall CPI through the year ending in March 1979, the opposite was true for the years ending in June and September. In recent experience, hospital room rates, one component of medical services, had been growing as much as 7 percentage points faster than the CPI for all items; yet that spread had narrowed to 1.6 percentage points by the year ending in September 1979.

Part of the resistance to acceleration shown by the medical care CPI, compared to the CPI for all items, may be explained by the Voluntary Effort program to

hold down prices and costs without Federal intervention. Further, current mortgage interest rates and inflation of food, gasoline, and housing prices affect the health sector much less than they affect the typical family for which the CPI is designed.

The inappropriateness of the CPI as a measure of institutional experience led HCFA to develop the National Hospital Input Price Index [Freeland, Anderson, and Schendler, 1979]. This index is similar in nature to the CPI but is designed to reflect prices faced by hospitals rather than by consumers. For the year ending in September 1979, the average level of the index was 9.5 percent higher than the previous year—the highest annual growth since early in 1977 (Table C-3). Rapid acceleration of nonlabor input prices, especially food prices, and increases in short-term interest rates were responsible for the increase in the annual growth of the index.

HCFA has also constructed a comparable index for nursing homes, which shows a very marked upward trend from an annual rate of 6.5 percent in mid-1977 to the 9.5 percent rate recorded for the twelve months ending in September 1979. Due to changes in the minimum wage, labor costs accounted for an increase in the aggregate growth rate early in the year: more than one-third of nursing home employees earn wages at or near the Federal minimum. In the year ending in September, however, nonlabor prices (particularly fuel and food prices) provided the major stimulus to inflation.

Table C-1. Average Medical Care Consumer Price Indexes for All Urban Consumers  
(Calendar Year 1967 = 100.0 Unless Noted)

Index Item	Twelve-month Period Ending						
	September			December	March	June	September
	1976	1977	1978	1978	1979	1979	1979
All items	168.4	178.7	191.3	195.4	200.1	205.2	211.0
All items less medical care	167.7	177.5	189.9	194.0	198.6	203.8	209.6
Apparel and upkeep	146.0	152.6	158.2	159.6	161.2	162.8	164.6
Energy	186.4	203.3	216.5	220.4	226.1	237.2	255.2
Food	180.4	188.7	205.8	211.4	217.8	223.7	229.1
Housing: shelter	177.0	187.4	204.7	210.4	216.5	223.2	230.7
Medical care	180.5	198.0	214.8	219.4	224.2	229.1	234.3
Medical care services	192.3	211.9	230.3	235.4	240.9	246.4	252.2
Professional services	175.7	190.3	204.9	208.8	213.1	217.5	222.2
Physicians' services	183.9	201.6	218.7	223.1	227.9	232.8	238.2
Dental services	169.5	181.7	194.7	198.1	202.1	206.3	210.5
Other professional services *				104.0	105.9	107.6	109.5
Other medical care services **	212.4	238.1	261.1	267.6	274.5	281.3	288.5
Hospital and other medical services *				106.2	109.0	111.8	114.6
Hospital room	260.6	291.9	322.8	332.4	342.1	351.7	361.1
Other hospital and medical care services *				105.9	108.5	111.1	113.7
Medical care commodities	124.2	131.9	141.1	143.5	146.0	148.5	151.1
Prescription drugs	113.8	120.1	129.2	131.6	134.1	136.6	139.2
Nonprescription drugs and medical supplies *				103.6	105.2	106.8	108.6
Eyeglasses *				102.2	103.3	104.6	106.1
Internal and respiratory over-the-counter drugs	136.7	146.1	156.2	159.0	161.8	164.6	167.6
Nonprescription medical equipment and supplies *				103.2	104.8	106.2	107.8

\* December 1977 = 100.0; data are not available prior to December 1977.

\*\* Includes hospital and other medical services (nursing homes), and health insurance (not shown separately).

Source: based on data from the Bureau of Labor Statistics, U.S. Department of Labor

Table C-2. Annual Percentage Change in Average Medical Care Consumer Price Indexes for All Urban Consumers

Index Item	Twelve-month Period Ending						
	September			December 1978	March 1979	June 1979	September 1979
	1976	1977	1978				
All items	6.3	6.1	7.1	7.7	8.5	9.4	10.3
All items less medical care	6.1	5.8	7.0	7.6	8.5	9.5	10.4
Apparel and upkeep	3.3	4.5	3.7	3.5	3.7	3.8	4.0
Energy	8.5	9.1	6.5	6.3	7.6	11.3	17.9
Food	4.6	4.6	9.1	10.0	11.1	11.5	11.3
Housing: shelter	6.2	5.9	9.2	10.1	10.9	11.8	12.7
Medical care	9.7	9.7	8.5	8.4	8.5	8.7	9.1
Medical care services	10.1	10.2	8.7	8.6	8.8	9.1	9.5
Professional services	9.3	8.3	7.7	7.6	7.7	8.0	8.4
Physicians' services	11.5	9.6	8.5	8.3	8.3	8.5	8.9
Dental services	6.8	7.2	7.2	7.0	7.3	7.6	8.1
Other professional services	---	---	---	---	---	---	---
Other medical care services *	10.9	12.1	9.7	9.6	9.8	10.1	10.5
Hospital and other medical services	---	---	---	---	---	---	---
Hospital room	14.3	12.0	10.6	11.0	11.3	11.7	11.9
Other hospital and medical care services	---	---	---	---	---	---	---
Medical care commodities	6.5	6.2	7.0	7.0	7.0	7.0	7.1
Prescription drugs	5.6	5.5	7.6	7.8	7.8	7.7	7.7
Nonprescription drugs and medical supplies	---	---	---	---	---	---	---
Eyeglasses	---	---	---	---	---	---	---
Internal and respiratory over-the-counter drugs	7.5	6.9	6.9	7.1	7.1	7.2	7.3
Nonprescription medical equipment and supplies	---	---	---	---	---	---	---

\* Includes hospital and other medical services (nursing homes), and health insurance (not shown separately).  
Source: based on data from the Bureau of Labor Statistics, U.S. Department of Labor

Table C-3. The National Hospital Input Price Index and the National Nursing Home Input Price Index

Index Item	Twelve-month Period Ending						
	September			December	March	June	September
	1976	1977	1978	1978	1979	1979	1979
Levels (1977 = 100)							
National hospital input price index	90.7	98.2	106.1	108.4	110.7	113.4	116.2
Labor	90.0	98.0	106.6	108.9	111.0	113.6	116.2
Wages and salaries	90.7	98.1	106.3	108.4	110.5	113.0	115.6
Fringe benefits	84.7	97.4	109.0	112.0	114.9	118.0	120.5
Nonlabor	91.8	98.3	105.5	107.8	110.3	113.1	116.3
National nursing home input price index	92.5	98.5	106.5	109.0	111.5	114.0	116.6
Wages and salaries	92.3	98.7	106.6	109.1	111.6	113.8	116.1
Other	92.8	98.2	106.3	108.8	111.5	114.1	117.1
Annual Percentage Change							
National hospital input price index	9.0	8.3	8.0	8.4	8.5	9.0	9.5
Labor	10.3	8.9	8.8	8.9	8.6	8.9	9.0
Wages and salaries	9.1	8.2	8.4	8.4	8.2	8.5	8.7
Fringe benefits	19.5	15.0	11.9	12.0	11.8	11.5	10.6
Nonlabor	7.6	7.1	7.3	7.8	8.5	9.3	10.2
National nursing home input price index	7.4	6.5	8.1	9.0	9.3	9.5	9.5
Wages and salaries	8.3	6.9	8.0	9.1	9.4	9.2	8.9
Other	6.5	5.8	8.2	8.8	9.4	9.7	10.2

Source: Office of Research, Demonstrations, and Statistics; Health Care Financing Administration

## Section D. Employment, Hours, and Earnings in the Health Care Sector

In recent twelve-month periods, total employment in the private health care sector grew steadily, and the growth rate of average hourly earnings caught up and then fell behind that of average hourly earnings in the total private economy. These observations are drawn from surveys conducted by the U.S. Department of Labor Bureau of Labor Statistics (BLS), the results of which are published in *Employment and Earnings*.

The data in Table D-1 show the levels of employment, hours, and earnings in private (nongovernment) health industry<sup>3</sup> establishments. These data were drawn from the BLS "establishment" survey of the private nonagricultural sector, which excludes health-related establishments (hospitals, clinics, and so on) run by government. During the twelve months ending in September 1979, an average of nearly 5 million persons were employed on a full-time or part-time basis in that industry; nonsupervisory employees worked a 33-hour week and earned \$5.60 an hour. Hours in this industry were shorter than in the private economy, and pay was almost a dollar less per hour; the former can be attributed to the relative frequency of part-time jobs, and the latter to the different mixes of occupations and overtime arrangements.

The trends in employment, hours, and earnings since late 1978 (Table D-2) indicate that the nongovernment medical sector as a whole was maintaining its relative share of payrolls. Growth in employment was fractionally slower than for the whole private economy, but it was steadier, as were hours, perhaps reflecting the sector's relative insulation from the business cycle (see Section E). Average hourly earnings grew slightly less than in the private economy in general—8.4 percent compared to 8.6 percent in the year ending in September 1979.

Growth varied greatly by type of establishment, as shown in Table D-2. Employment in nursing homes continued to grow rapidly, as did earnings, although growth in the latter was slowing down. [Much of the growth of average hourly earnings in nursing homes is attributable to changes in the minimum wage, as noted in Section C]. Growth of employment in offices of dentists increased a little, and growth in average hourly earnings increased even more—although the latter growth rate still lags behind that of the rest of the economy. By contrast, nongovernment hospital patterns were quite stable, as were those of offices of physicians (with the exception of declining hours).

A second survey of the workforce, the Current Population Survey (CPS), which is designed to yield information on unemployment and on demographic characteristics of the workforce, also yields information on employment by occupation, covering both the private and the public sector (Table D-3). In this survey of 56,000 households, the employment status of each member of the household over 16 years old is determined; to be considered employed, a person need only work one hour for pay or profit during the survey week. While the survey results are reliable for the primary objectives—measurement of unemployment and description of demographic characteristics of the workforce—the sampling and nonsampling errors associated with employment estimates for some occupations are quite large, and the year-to-year change in these estimates is unreliable statistically, especially for such small detailed occupations as physicians (who comprise less than one half of one percent of the employed workforce).

Despite the inadequacy of the data for medical professions, the occupation employment estimates from the CPS, or "household" survey, merit some attention, if for no other reason than that they are the most current estimates available. Combining all types of health-related occupations, employment stood at about 4.7 percent of total civilian employment in the twelve months ending in September 1979. Growth of this aggregate measure of employment was substantially higher than that of total civilian employment, as has been true since 1972, the earliest date for comparable medical profession employment data from this source.

For a more comprehensive discussion of employment in health professions, see Bureau of Health Manpower (1978), especially Chapter II.

<sup>3</sup>1972 Standard Industrial Classification 80, which excludes establishments controlled by government.

Table D-1. Average Employment, Hours and Earnings in Private Health Service Establishments,  
by Selected Type of Establishment

Type of Establishment	Twelve-month Period Ending						
	September			December	March	June	September
	1976	1977	1978	1978	1979	1979	1979
Health services (SIC 80)							
Total number of employees (thousands)	4,290.8	4,529.6	4,752.3	4,808.3	4,865.2	4,922.6	4,981.0
Nonsupervisory employees							
Number of employees (thousands)	3,853.6	4,052.5	4,242.2	4,288.8	4,335.8	4,384.1	4,435.2
Average weekly hours	33.3	33.0	33.0	33.0	33.1	33.0	33.0
Average hourly earnings	\$4.04	\$4.33	\$4.67	\$4.77	\$4.87	\$4.96	\$5.06
Offices of physicians and surgeons (SIC 801)							
Total number of employees (thousands)	604.7	638.6	671.1	679.4	687.7	696.6	705.5
Nonsupervisory employees							
Number of employees (thousands)	510.0	533.8	555.5	560.8	565.9	571.7	578.3
Average weekly hours	33.2	33.5	33.1	33.1	33.1	33.0	32.8
Average hourly earnings	\$4.16	\$4.50	\$4.88	\$4.98	\$5.08	\$5.18	\$5.28
Offices of dentists (SIC 802)							
Total number of employees (thousands)	261.4	282.1	297.3	300.3	303.5	307.3	311.4
Nonsupervisory employees							
Number of employees (thousands)	235.1	252.9	260.5	262.0	264.1	267.7	271.5
Average weekly hours	28.8	28.5	28.9	29.0	29.1	29.0	28.9
Average hourly earnings	\$4.11	\$4.40	\$4.68	\$4.70	\$4.78	\$4.89	\$5.01
Nursing and personal care facilities (SIC 805)							
Total number of employees (thousands)	796.0	847.5	902.3	917.5	933.3	948.6	963.5
Nonsupervisory employees							
Number of employees (thousands)	724.0	769.8	815.5	828.3	841.8	855.0	868.0
Average weekly hours	31.2	31.1	31.2	31.2	31.1	31.0	31.0
Average hourly earnings	\$3.02	\$3.23	\$3.49	\$3.57	\$3.65	\$3.72	\$3.80
Hospitals (SIC 806)							
Total number of employees (thousands)	2,336.2	2,443.4	2,530.4	2,552.8	2,575.9	2,598.4	2,622.4
Nonsupervisory employees							
Number of employees (thousands)	2,124.0	2,214.5	2,306.3	2,329.1	2,351.3	2,372.1	2,394.0
Average weekly hours	34.6	34.1	34.0	34.1	34.1	34.1	34.1
Average hourly earnings	\$4.27	\$4.58	\$4.95	\$5.05	\$5.16	\$5.26	\$5.37
Addendum: all private nonagricultural establishments							
Total number of employees (thousands)	63,944	66,479	70,033	70,970	71,903	72,667	73,344
Nonsupervisory employees							
Number of employees (thousands)	52,450	54,462	57,357	58,109	58,854	59,445	59,966
Average weekly hours	36.2	36.0	35.9	35.8	35.9	35.8	35.7
Average hourly earnings	\$4.77	\$5.15	\$5.57	\$5.69	\$5.81	\$5.93	\$6.05

\* 1972 Standard Industrial Classification (SIC)

Source: based on data from the Bureau of Labor Statistics (Establishment Survey), U.S. Department of Labor

Table D-2. Annual Percentage Change in Average Employment, Hours and Earnings in Private Health Service Establishments, by Selected Type of Establishment

Type of Establishment *	Twelve-month Period Ending						
	September			December	March	June	September
	1976	1977	1978	1978	1979	1979	1979
Health services (SIC 80)							
Total number of employees	5.2	5.6	4.9	4.9	4.9	4.8	4.8
Nonsupervisory employees							
Number of employees	4.7	5.2	4.7	4.6	4.5	4.5	4.5
Average weekly hours	-.3	-.9	.0	.0	.6	.0	.0
Average hourly earnings	8.0	7.2	7.9	8.4	8.7	8.5	8.4
Offices of physicians and surgeons (SIC 801)							
Total number of employees	5.6	5.6	5.1	5.2	5.2	5.1	5.1
Nonsupervisory employees							
Number of employees	3.9	4.7	4.1	4.1	4.0	3.9	4.1
Average weekly hours	.0	.9	-1.2	-1.2	-.6	-.6	-.9
Average hourly earnings	7.5	8.2	8.4	8.5	8.3	8.4	8.2
Offices of dentists (SIC 802)							
Total number of employees	7.8	7.9	5.4	4.8	4.3	4.3	4.7
Nonsupervisory employees							
Number of employees	7.7	7.6	3.0	2.5	2.2	3.0	4.2
Average weekly hours	-1.7	-1.0	1.4	1.4	1.7	1.0	.0
Average hourly earnings	7.6	7.1	6.4	4.9	4.8	5.4	7.1
Nursing and personal care facilities (SIC 805)							
Total number of employees	6.6	6.5	6.5	6.7	7.0	6.9	6.8
Nonsupervisory employees							
Number of employees	6.5	6.3	5.9	6.1	6.4	6.5	6.4
Average weekly hours	.0	-.3	.3	.3	.0	-.3	-.6
Average hourly earnings	8.2	7.0	8.0	9.2	9.6	9.1	8.9
Hospitals (SIC 806)							
Total number of employees	3.8	4.6	3.6	3.6	3.6	3.6	3.6
Nonsupervisory employees							
Number of employees	3.4	4.3	4.1	4.2	4.0	3.9	3.8
Average weekly hours	.0	-1.4	-.3	.3	.3	.3	.3
Average hourly earnings	8.7	7.3	8.1	8.4	8.6	8.5	8.5
Addendum: all private nonagricultural establishments							
Total number of employees	2.3	4.0	5.3	5.4	5.4	5.1	4.7
Nonsupervisory employees							
Number of employees	2.4	3.8	5.3	5.3	5.3	5.0	4.5
Average weekly hours	.3	-.6	-.3	-.6	.0	-.3	-.6
Average hourly earnings	6.7	8.0	8.2	8.4	8.6	8.8	8.6

\* 1972 Standard Industrial Classification (SIC)

Source: based on data from the Bureau of Labor Statistics (Establishment Survey), U.S. Department of Labor

Table D-3. Employment of Health Professionals and Workers, by Selected Occupation  
(Thousands of Persons Employed)

Occupation	Twelve-month Period Ending						
	September			December	March	June	September
	1976	1977	1978	1978	1979	1979	1979
Practitioners	674	701	756	756	772	771	779
Medical & osteopathic physicians	374	388	423	424	433	431	430
Dentists	107	103	114	117	120	123	129
Pharmacists	124	133	139	136	137	134	133
Nurses, dieticians & therapists	1,169	1,261	1,347	1,351	1,392	1,426	1,464
Registered nurses	976	1,036	1,108	1,112	1,148	1,173	1,206
Therapists	153	179	188	189	194	201	203
Health technologists & technicians	427	462	483	498	503	506	521
Clinical laboratory	188	196	209	208	206	201	209
Radiologic	78	84	90	97	100	106	106
Health service workers	1,770	1,722	1,824	1,846	1,852	1,840	1,817
Nursing aides, orderlies and attendants	1,006	1,001	1,039	1,037	1,028	1,021	1,014
Practical nurses	396	361	391	402	405	397	382
Health aides, excluding nursing	246	238	266	276	281	284	284
Dental assistants	123	123	127	130	138	138	136
Addendum: total civilian employment	86,767	89,580	93,481	94,373	95,248	95,825	96,437

Source: based on data from the Bureau of Labor Statistics (Household Survey), U.S. Department of Labor

## Section E. Selected National Economic Indicators

Trends in health prices, utilization, and expenditure cannot be understood without reference to broader economic forces at work in society. This section provides the backdrop of national economic activity to which the health sector can be compared. The national indicators discussed cover output, employment, and prices.

### Output

During the twelve months ending in September 1979, the Gross National Product (GNP) — one measure of the dollar value of the output of the U.S. economy — was \$2.3 trillion<sup>4</sup> (Table E-1). In recent periods, annual growth of the GNP has been in the range of 11-13 percent (Table E-2) and has been slower than the annual growth of national health expenditures. Unlike national health expenditures, growth in the GNP is influenced heavily by international flows of goods and services and by changes in business inventories.

Commerce Department analysts also estimate constant-dollar or "real" Gross National Product. This measure specifically removes the effects of price change from the valuation of goods and services produced, so that the growth of real GNP reflects the change of the "physical" output of the economy. Growth of real GNP slowed to a rate of 3.3 percent during the year ending in September 1979, a rate well below the average since 1976. This slowdown reflects a number of recessionary forces at work in the economy since mid-1979.

A measure related closely to the real GNP is the GNP implicit price deflator, which reflects the changes of prices and of the composition of output

since 1972. This measure covers many items not covered by the personal health care expenditure deflator (see Section A), such as construction, and it subsumes consumer prices, wholesale prices, import prices, and so on. In the twelve months ending in September 1979, the deflator rose 8.7 percent from the previous year. Annual growth in the GNP deflator had been increasing since early in 1977, although it did not reach the rates of 10 percent and more experienced during 1975.

### Employment, Hours and Earnings

Reflecting the slowdown of growth in real GNP, the aggregate rate of unemployment stopped falling. During the twelve months ending in September 1979, an average of 5.8 percent of all workers were unemployed. [People who were not looking for paid work outside the home and people who gave up looking for work are excluded from measures of unemployment.]

During the year ending in September 1979, there was an average of 73 million full-time and part-time jobs held in the private sector. Continuing a long-run downward trend, the average work week of nonsupervisory workers dropped to 35.7 hours, and the rate of growth of average hourly earnings continued at a rate of 8.6 percent. Growth of employment in the private health sector, which in recent periods had been slower, reached parity with growth in total employment, due to a slowdown in the latter. Further, average hours in the health sector remained constant in the face of a general decline. [See Section D for more detail.]

### Prices

As discussed previously in Section C, the annual growth of consumer prices, as measured by the Consumer Price Index, began to rise in mid-1978, reaching 10.3 percent in the twelve months ending in September 1979. Annual growth in the Producer Price Index for finished consumer goods, a measure of wholesale prices, rose even more quickly, to a growth rate of 10.7 percent.

<sup>4</sup>Analysts at the Bureau of Economic Analysis of the U.S. Department of Commerce estimate and publish quarterly estimates of the GNP in the *Survey of Current Business*.

Table E-1. Selected National Economic Indicators

Indicator	Twelve-month Period Ending						
	1976	September 1977	1978	December 1978	March 1979	June 1979	September 1979
Gross National Product (GNP)							
Billions of dollars	\$1,662.6	\$1,845.7	\$2,061.6	\$2,127.5	\$2,197.7	\$2,254.1	\$2,313.3
Billions of 1972 dollars	\$1,257.9	\$1,322.2	\$1,382.8	\$1,399.2	\$1,414.9	\$1,421.7	\$1,428.2
Implicit price deflator (1972=100)	132.17	139.59	149.08	152.05	155.33	158.55	161.98
Employment, hours and earnings							
Unemployment rate, all workers	7.8%	7.3%	6.2%	6.0%	5.9%	5.8%	5.8%
Private nonagricultural workers:							
Total number of employees (000)	63,944	66,479	70,033	70,970	71,903	72,667	73,344
Average weekly hours	36.2	36.0	35.9	35.8	35.9	35.8	35.7
Average hourly earnings	\$4.77	\$5.15	\$5.57	\$5.69	\$5.81	\$5.93	\$6.05
Health services * workers:							
Total number of employees (000)	42,908	45,296	47,523	48,083	48,652	49,226	49,810
Average weekly hours	33.3	33.0	33.0	33.0	33.1	33.0	33.0
Average hourly earnings	\$4.04	\$4.33	\$4.67	\$4.77	\$4.87	\$4.96	\$5.06
Prices (1967=100)							
Consumer price index, all items	168.4	178.7	191.3	195.4	200.1	205.2	211.0
Producer price index **, finished consumer goods	168.4	176.1	188.5	192.6	197.6	202.7	208.6

\* 1972 Standard Industrial Classification (SIC)

\*\* formerly called the "Wholesale Price Index"

Source: based on data from the Bureau of Economic Analysis, U.S. Department of Commerce; and from the Bureau of Labor Statistics, U.S. Department of Labor

Table E-2. Annual Percentage Change in Selected National Economic Indicators

	Twelve-month Period Ending						
	September			December	March	June	September
	1976	1977	1978	1978	1979	1979	1979
Gross National Product (GNP)							
Current dollars	11.4	11.0	11.7	12.0	12.9	12.5	12.2
Constant (1972) dollars	5.2	5.1	4.6	4.4	4.5	3.8	3.3
Implicit price deflator	5.9	5.6	6.8	7.3	8.0	8.3	8.7
Employment, hours and earnings							
Unemployment rate, all workers	- .2 †	- .5 †	-1.1 †	-1.0 †	- .8 †	- .6 †	- .4 †
Private nonagricultural workers:							
Total number of employees	2.3	4.0	5.3	5.4	5.4	5.1	4.7
Average weekly hours	.3	- .6	- .3	- .6	.0	- .3	- .6
Average hourly earnings	6.7	8.0	8.2	8.4	8.6	8.8	8.6
Health services * workers:							
Total number of employees	5.2	5.6	4.9	4.9	4.9	4.8	4.8
Average weekly hours	- .3	- .9	.0	.0	.6	.0	.0
Average hourly earnings	8.0	7.2	7.9	8.4	8.7	8.5	8.4
Prices							
Consumer price index, all items	6.3	6.1	7.1	7.7	8.5	9.4	10.3
Producer price index **, finished consumer goods	4.6	4.6	7.0	7.7	8.8	9.7	10.7

† year-to-year change in the percentage rate shown in Table E-1

\* 1972 Standard Industrial Classification (SIC)

\*\* formerly called the "Wholesale Price Index"

Source: based on data from the Bureau of Economic Analysis, U.S. Department of Commerce; and from the Bureau of Labor Statistics, U.S. Department of Labor

## References

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## Appendix

### Contacts for Further Information

Under the general supervision of Mary E. Rieder, Acting Director, the following members of the Division of National Cost Estimates (Office of Research, Demonstrations, and Statistics; Health Care Financing Administration) have contributed to the estimates shown in this publication. They are listed by the specific type of service or source of funds for which they provided information.

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Drugs and sundries	Robert Gibson	(202) 245-0562
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Prices:		
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National Nursing Home Input Price Index	Charles Fisher	(202) 472-4424

Data underlying the estimates shown in this publication have come from a number of sources inside and outside the Federal government. For information about these basic data beyond the scope of *Trends*, contact the person or agency listed below. For further information about the tables and descriptions in *Trends* itself, contact the appropriate member of the Division of National Cost Estimates listed above.

National Hospital Panel Survey	Peter Kralovec, AHA Hospital Data Center	(312) 280-6523
'Consumer Price Indexes	BLS Division of Consumer Prices and Price Indexes	(202) 523-8419
Producer Price Indexes	BLS Division of Industrial Prices and Price Indexes	(202) 523-1204
Employment and unemployment (Household Data)	BLS Office of Current Employment Analysis	(202) 523-1944
Employment, hours and earnings (Establishment Data)	BLS Division of Industry Employment Statistics	(202) 523-1146
Gross National Product	BEA National Income and Wealth Division	(202) 523-0824
Medicare and Medicaid data	ORDS Statistical Information Services Branch	(301) 594-6702

#### Abbreviations:

AHA—American Hospital Association  
 BEA—Bureau of Economic Analysis, U.S. Department of Commerce  
 BLS—Bureau of Labor Statistics, U.S. Department of Labor  
 ORDS—Office of Research, Demonstrations, and Statistics; Health Care Financing Administration  
 (U.S. Department of Health, Education, and Welfare)



# Health Care Financing Trends

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